

August 21, 2017

Mr. Amir Zaidi
Director, Division of Market Oversight
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW, Washington, DC
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**Comments on *Roadmap to Achieve High Quality Swaps Data*
issued by the U.S. Commodity Futures Trading Commission**

Dear Mr. Zaidi:

We, the Japanese Bankers Association (JBA), would like to express our gratitude for this opportunity to comment on *Roadmap to Achieve High Quality Swaps Data*, issued on July 10, 2017 by the U.S. Commodity Futures Trading Commission (CFTC).

We support the proposals and the goal of reviewing reporting regulations for swap data, including streamlining reporting, in order to enhance accuracy, completeness and quality of data. Depending on a direction of review of the rules, however, we are afraid that such review may result in overlaps and inconsistencies with some of the existing regulations. Furthermore, we recognize that there may be areas where additional reviews or further clarifications of the definition would be needed.

We respectfully expect that the following comments will contribute to your further discussion.

1. Reconciliation of reporting data (page 6)

(Comments)

If reconciliation of reporting data is mandated, we request the CFTC to establish an efficient framework by, for example, requiring only a reporting counterparty on a swap transaction to carry out the reconciliation processes, in consideration of some overlaps with the existing post-trade requirements (e.g., timely confirmation and portfolio reconciliation).

In implementing the reconciliation requirement, a responsible party, frequency, covered

transactions, covered data elements and the definition of reconciliation should be clarified, and a framework to require the Global Trade Repository (GTR) to provide data necessary for reconciliation for each regulator should be considered.

(Rationale)

Compliance with the post-trade requirements has similar effects to reconciliation of transaction reports. If the reconciliation requirement is implemented, we would like to ask the CFTC to design a framework in a manner not to overlap with the existing post-trade requirements. In addition, the objective of reconciliation can be achieved through reconciliation by the reporting counterparty (i.e. the party which actually files transaction reports), and hence the reconciliation processes need not be carried out by both parties on a swap transaction.

We understand that financial institutions have already implemented certain transaction monitoring processes. Therefore, the definition and details of reconciliation should be clarified to harmonize practices among financial institutions.

2. Harmonizing the data reporting requirements and reducing the number of transaction data fields (pages 8 and 9)

(Comments)

We support the CFTC's efforts to reflect discussions on harmonizing data elements by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) into the CFTC rules and to reduce the number of fields only to those necessary for CFTC's oversight purposes.

(Rationale)

In cases of cross-border transactions, reports on a single transaction are often required to be filed to multiple jurisdictions which may be either "a location where the reporting counterparty of the transaction is established," "a location where the non-reporting counterparty is established," "a location where a guarantor of a counterparty is established," "a location where transactions are executed or booked," or "a jurisdiction related to underlying assets of transactions." Currently, as reporting requirements differ across jurisdictions, a considerable amount of costs and resources are required to be invested to comply with these varying reporting requirements. If each jurisdiction adopts standards harmonized by the CPMI-IOSCO, this would significantly reduce costs. We therefore request the CFTC to promote these efforts.

3. Expansion of the scope of applying Substitute Compliance to entity-level requirements (reporting under Parts 45 and 46) and permanent application of the no-action letter (pages 3, 7 and 9)

(Comments)

We request the CFTC to consider expanding the scope of applying Substituted Compliance to entity-level requirements such as Parts 45 and 46 and to entrust supervision of the entities to their home country authorities.

Furthermore, the no-action letter related to CFTC swaps data reporting rules currently being extended should be treated as permanent measures to ensure legal stability.

(Rationale)

Substituted Compliance is not applicable to reporting under Parts 45 and 46 (Swap Data Recordkeeping and Reporting Requirements) for transactions between non-U.S. persons and U.S. persons (moreover, for non-U.S. persons that are swap dealers (SDs), Substituted Compliance is not applicable to transactions with Guaranteed Affiliates (GAs) and Affiliated Conduits (ACs).) As for the cross-border transactions, the purpose of regulations can be achieved by obtaining data from U.S. persons themselves (including GAs and ACs). To eliminate overlapping regulations, the reporting requirements should not be imposed on non-U.S. persons. Broader application of Substituted Compliance should be permitted for the entity-level requirements which aim to ensure soundness of a whole entity by entrusting supervision of entities to their home country authorities.

In addition, the CFTC Letter No.13-75 which provides no-action relief to transactions executed by non-U.S. SD and non-U.S. persons from the reporting requirements under Parts 45 and 46 has been extended several times. If the transitional measures set out in the no-action letter would be extended repeatedly, legal stability would be undermined and reporting entities would not be able to formulate their long-term system development plan. Therefore, we request the CFTC to consider treating this no-action letter as permanent measures.

4. Review of reporting obligations for cross-border transactions (pages 3, 7 and 9)

(Comments)

Review of reporting obligations for cross-border transactions should be considered from comprehensive viewpoints by taking into account the final cross-border guidance¹ issued by the CFTC.

¹ <https://www.gpo.gov/fdsys/pkg/FR-2013-07-26/pdf/2013-17958.pdf>

(Rationale)

Under the final cross-border guidance issued by the CFTC, there are cases where the necessity of reporting to the CFTC differs depending on which entity becomes the reporting counterparty, even for transactions between the same counterparties.² Such a situation would contradict with the goal of this review: “receiving accurate, complete and high quality swaps data.” Therefore, this review of reporting regulations should be carried out with a holistic view, by taking into account the guidance above.

² For example, according to the table in Appendix D (Page 45369 of the guidance) showing how to apply the transaction-level requirements, there are following two patterns for swap transactions reporting (Part43 Real Time Public Reporting) between a non-U.S. person/SD that is a Guaranteed Affiliate (Party A) and a non-U.S. person/SD that is not a Guaranteed Affiliate (Party B). Therefore, there would be an instance where transactions entered into between the same entities may be reported in some cases and not reported in other cases.

- (i) If Party A is the reporting counterparty, transaction reporting is not required as the table shows “Do not apply.”
- (ii) If Party B is the reporting counterparty, transaction reporting is required in the case where an equivalence determination has not been made, as the table shows “Substituted compliance”.